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CENTRAL INTELLIGENCE AGENCY

25 March 1949

INTELLIGENCE MEMORANDUM NO. 148

SUBJECT: External Financial Operations of the USSR and the Satellites

The following is in response to the specific requirements submitted by the NSRB in connection with its group handling Study VIII, "Foreign Assets Control."

1. General Nature of Soviet Expenditures.

The financial operations of the Soviet banks and governmental agencies are conducted through current accounts maintained with US banks under the following designations:

State Bank of USSR, Moscow
Bank for Foreign Trade USSR, Moscow and Istanbul
Moscow Narodny Bank, London and Shanghai
Banque Commercials pour l'Europe du Nord, Paris
Garantie und Kreditbank A.G., Berlin
Amtorg Trading Corporation, New York
The Government Purchasing Commission of the
Soviet Union in the USA, New York
Representative of USSR to UN, New York
Embassy of the USSR, Washington, D.C.

An analysis of the Soviet spending in support of activities outside the US discloses that during the year 1948, the USSR withdrew from US depositories over \$70 million in excess of payments for its imports from US. The withdrawal of balances was accelerated early last June, at which time USSR's holdings in this country stood at about \$75 million. By December 31, 1948, the Soviet bank balances in US were reduced to \$21 million.

While large sums were utilized in payment of Soviet purchases of US and Brazilian cotton, interest payment to US Government on account of Lend Lease, and support of Soviet Representative to the United Nations, the bulk of funds was transferred outside of this country to foreign banks acting as depositories for the USSR.

According to information, about \$11 million was transferred to the UK. It is believed that this sum was used for the purpose of financing Soviet purchases of industrial equipment and strategic raw materials, such as rubber, and that the Soviets were able to convert some of their dollar exchange into sterling balances at advantageous black-market rates.

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About \$16 million was transferred to Mexico, where the Soviets were heavy buyers of sisal and henequen.

About \$12 million was transferred to Switzerland, which appears to be the present center of financial operations of the Soviet Government. The extent of these operations is not known. Sizeable transfers were also made to Holland, Belgium, Norway, Italy, and Argentina.

The sum of \$5 million was loaned to Finland under agreement of last July.

It is believed that this shifting of balances from the US to other countries took place largely as the result of US export restrictions, implying the following possible Soviet considerations and planning:

- a. To provide funds for purchases outside the US, either by the USSR direct or through Satellites and neutrals, or equipment and materials denied by the US;
- b. To intensify the Soviet stockpiling program of strategic raw materials;
- c. To provide funds for covert operations, such as;
 - (1) financing of espionage, sabotage, and of propaganda agents. Attempts are known to have been made to open secret accounts in neutral countries;
 - (2) acquisition of cheap sterling and other currencies at black-market rates.
- d. To forestall the possibility of having funds "frozen" by the US in retaliation for Soviet aggression.

The foregoing resume covers the use of funds from the accounts of Soviet commercial banks. CIA lacks adequate information concerning external financial operations of the Amtorg Trading Corporation, the Soviet Purchasing Commission Representative of the USSR to the United Nations, and the Embassy of the USSR in Washington.

No data are available in CIA files on the financial operations of the Satellite countries in the US in support of activities in other countries. It is known, however, that the central banks of these countries maintain active dollar accounts in the US, and it is presumed that their operations are similar to those of the Soviet banks.

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In the event of war, bank deposits held in this country by the USSR and Satellites would presumably be frozen. If so, financing of Soviet activities outside the US through the use of such deposits, therefore, would be effectively blocked.

Bank deposits held by Communists, Communist sympathizers, or Communist organizations in the US in accounts, not readily identified as such, may be for outside activities. In some transactions, however, the USSR would use cash dollars acquired over the years, since these expenditures would be harder to trace than bank transactions.

In wartime it would be difficult for the Soviets to make use of gold holdings in the US to finance overseas activities. Use of gold directly for payments within the US would be limited because of the prohibition of private use.

2. Extent of Financing through Cloaking and Diplomatic Channels.

CIA has no data in its files on the possible amount of financing through cloaking channels, which is carried out now or which may be anticipated. It is constantly reported, however, that in practically every important area the USSR and its Satellites, in addition to using normal banking channels, distribute their funds through the medium of small "private" banks.

3. Supplemental Sources.

CIA is not in a position to determine the degree to which funds of the USSR and its Satellites might be supplemented from other sources. However, it is reported that large sums of dollars and other hard currencies are deposited by the Soviets and Satellites in most of the important financial centers. Some of the Soviet depositories are believed to be as follows:

England: Bank of England and the big 5 banks
Moscow Narodny Bank, London.

France: Banque de France
Banque Commerciale de l'Europe du Nord, Paris
Credit Lyonnais

Germany: Garantie und Kreditbank A.G., Berlin

Italy: Banco di Roma

Belgium: Banque de Bruxelles, Brussels

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Netherlands: National Bank of Netherlands
Rotterdamsche Bank

Norway: Norges Bank
Den Norske Creditbank

Sweden: Sveriges Riksbank

Switzerland: Union Bank of Switzerland
Credit Suisse
National Bank of Switzerland
Swiss Bank Corporation

Mexico: Banco Nacional de Mexico

Argentina: Banco de la Nacion Argentina

Turkey: Bank for Foreign Trade USSR, Istanbul

China: Moscow Narodny Bank, Shanghai

In addition, the Satellites are reported to be engaged in gold operations in the black market centers such as Switzerland, Tangiers, Paris, where they are offering undetermined amounts of gold at prices above the official rate of \$35 per ounce. The scope of these operations is undetermined, but is reported reliable as to be substantial.

At the present time, the Soviet Government does not maintain any gold bullion in the US. The last \$42 million of its gold holdings in this country were removed by the State Bank of the USSR last April.

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